

**STAR CEMENT MEGHALAYA LIMITED**

ANNUAL REPORT 2015-16

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## **FORWARD-LOOKING STATEMENT**

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements, written or oral, that we periodically make, contain forward-looking statements that set out anticipated results based on management's plans and assumptions. We have tried, wherever possible, to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion relating to future performance of the Company.

We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

# Corporate Information

**CIN : U63090ML2005PLC008011**

## **Board of Directors**

Prem Kumar Bhajanka, Managing Director  
Sajjan Bhajanka, Director  
Sanjay Agarwal, Director  
Rajendra Chamaria, Director  
Pankaj Kejriwal, Director  
Mangilal Jain, Director  
Ibaridor K. War, Director  
Santanu Ray, Director

## **Chief Financial Officer**

Swarup Chand Kayal

## **Company Secretary**

Koushik Ranjan Saha

## **Auditors**

Kailash B. Goel & Co.,  
Chartered Accountants  
70, Ganesh Chandra Avenue, 1st Floor  
Kolkata - 700013

## **Bankers**

Bank of Baroda  
Corporation Bank  
Allahabad Bank  
State Bank of India  
Tata Capital Financial Services Limited

## **Registered Office & Works**

Vill.: Lumshnong, P.O: Khaliehriat  
Dist: East Jaintia Hills  
Meghalaya - 793 210

## **Corporate Office**

"Satyam Towers", 1st Floor, Unit No. 9B,  
3, Alipore Road, Kolkata - 700027

## **Delhi Office**

281, Deepali, Pitampura,  
New Delhi - 110 034

# Directors' Report

Dear Members,

Your Directors have pleasure in presenting Eleventh Annual Report of the Company together with the Audited Balance Sheet as at 31st March, 2016 and the Statement of Profit & Loss for the year ended on that date.

## FINANCIAL HIGHLIGHTS

The highlights of the financial performance of the Company for the Financial Year ended 31st March, 2016 as compared to the previous Financial Year are as under:-

Particulars	₹ in Lacs	
	2015-16	2014-15
Net Sales/Income	51,523.97	47,726.44
Profit/(Loss) before Interest, Depreciation and Tax	19,356.52	20,254.85
Interest and Finance Charges	(3,716.50)	(4,319.00)
Depreciation	(8,839.77)	(11,025.53)
Exceptional Items	1.94	2.07
Profit/(Loss) before Tax	6,802.19	4,912.39
-Current Tax	(1,461.19)	(1,016.74)
-Less: MAT Credit entitlement	1,461.19	1,016.74
-Net Current Tax	-	-
Deferred Tax	-	152.19
<b>Profit/(Loss) after Tax</b>	<b>6,802.19</b>	<b>5,064.58</b>

## INDIAN ECONOMY – A RETROSPECT AND OUTLOOK

Indian economy which started emitting signals of Growth during second half of FY 2014-15 maintained its growth journey during the FY 2015-16 too. During the year under review, Indian

economy performed well and registered a GDP growth of 7.6% as compared to 7.2% of GDP growth during Financial Year 2014-15. Growth in food grain production was although marginal during the year, improvement was seen on the front of private consumption mainly on the back of pickup in urban consumption. Boost received in capital expenditure by the Government also helped investment growth to improve during the year. Inflationary pressures were largely under control mainly on account of sharp fall witnessed in the prices of oil as also on account of base rate effect and softening of food prices. Growth is expected to pick up during the ensuing Financial Year, helped by the Government's strengthening of public sector banks' capital and operations, private investment benefitting from corporate deleveraging, the financing of stalled projects and an uptick in bank credit.

Your Company engaged in production of Cement Clinkers is mainly dependent upon outlook of cement industry in the country in general and in North East and Eastern India in particular. Cement industry being core to infrastructural development has got an important role to play in nation building. Amongst other important consumption segments, housing is one segment which consumes cement most and is the biggest demand driver. Infrastructure is another big cement consuming sector in our country. Government's initiatives and focus on affordable housing as well as initiatives undertaken towards development of infrastructure like ports, roads, bridges, freight corridor, etc. are likely to provide impetus to cement demand



in India. This also gets reflected with Government's intention to unshackle the impediments in economic and infrastructural growth.

## OPERATIONAL PERFORMANCE

Your directors have pleasure to report improved operational performance during the year under review as compared to the previous Financial Year. Your Company has been able to further optimize its capacity utilization and produced 16,29,025 MT of Cement Clinker during the year under review as against 15,49,349 MT during the FY 2014-15, registering a growth of 5.1% over previous year. On the capacity utilization front, your Company was able to utilize 93.1% of its installed capacity during the FY 2015-16 as against 88.5% during the FY 2014-15.

During the year under review, your Company has successfully exported 0.79 Lac MT of Cement Clinker to neighboring countries of Nepal and Bhutan apart from having long term arrangement for sale of clinker with its holding Company M/s. Cement Manufacturing Company Limited and fellow subsidiary M/s. Megha Technical & Engineers Private Limited.

During the FY 2015-16, your Company has posted EBIDTA of ₹ 19,356.52 Lacs and profit after tax amounting to ₹ 6,802.19

Lacs. Your Company expects to maintain the operational efficiencies in years to come.

## SHARE CAPITAL

The paid up Equity Share Capital as on March 31, 2016 was ₹ 2,981.78 Lacs. During the year under review, the Company has not issued shares with differential voting rights nor granted stock options or sweat equity shares.

## EXTRACT OF ANNUAL RETURN

In terms of requirement of section 134 (3) (a) of the Companies Act, 2013, the extract of the Annual return in form MGT-9 is annexed herewith and marked **Annexure-1**.

## MEETINGS OF THE BOARD

During the year under review Five (5) Board Meetings were convened and held on 28th April, 2015, 22nd July, 2015, 24th September, 2015, 2nd November, 2015 and 8th February, 2016. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013.

The composition of the Board and the attendance details of the members are given below:

Name of the Director	Category	No. of Meeting	
		Held	Attended
Mr. Prem Kumar Bhajanka	Managing Director	5	3
Mr. Sajjan Bhajanka	Director	5	5
Mr. B.B. Agarwal	Director	5	2
Mr. Sanjay Agarwal	Director	5	3
Mr. Rajendra Chamaria	Director	5	2
Mr. Pankaj Kejriwal	Director	5	2
Mr. Mangilal Jain	Independent Director	5	5
Mrs. Ibaridor Katherine War	Director	5	1
Mr. Santanu Ray	Independent Director	5	5

## MEETINGS OF INDEPENDENT DIRECTORS

During the year under review, a meeting of Independent Directors was held on 21st March, 2016 wherein the performance of the Non-Independent Directors and the Board as a whole was reviewed. The Independent Directors at their meeting also assessed the quality, quantity and timeliness of flow of information between the Company management and the Board of Directors of the Company.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to requirement of Section 134 (3) (c) read with section 134 (5) of the Companies Act, 2013, the Directors hereby confirm and state that:

- In the preparation of Annual Accounts, the applicable Accounting Standards have been followed along with the proper explanation relating to material departures, if any;
- The Directors have selected such accounting policies and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2016 and of the profit of the Company for the year under review;
- The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- The Directors have prepared the annual accounts on going concern basis;
- The Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

## DECLARATION BY INDEPENDENT DIRECTORS

All Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013. Mr. Mangilal Jain and Mr. Santanu Ray are Independent Directors on the Board of your Company. In the opinion of the Board and as confirmed by these Directors, they fulfil the conditions specified in Section 149 of the Act and the Rules made thereunder about their status as Independent Directors of the Company.

## POLICY ON APPOINTMENT AND REMUNERATION OF DIRECTORS

The Board has framed a Remuneration Policy for selection, appointment and remuneration of Directors, Key Managerial Personnel and Senior Management Staff. The remuneration policy aims to enable the Company to attract, retain and motivate highly qualified members for the Board and at other executive levels. The remuneration policy seeks to enable the Company to provide a well-balanced and performance-related compensation package, taking into account shareholder interests, industry standards and relevant Indian corporate regulations.

## AUDITORS & AUDITORS' REPORT

M/s. Kailash B. Goel & Co., Chartered Accountants (Firm Registration no. 322460E), Statutory Auditors of the Company, have been appointed by the members at the previous Annual General Meeting and shall hold office for a period of 2 years from the date of such meeting held on 26th May, 2015. The Board, in terms of Section 139 of the Act, on recommendation of the Audit Committee, has recommended for the ratification of the appointment of Statutory Auditors from the conclusion of the ensuing AGM till the conclusion of the Twelfth Annual General Meeting.

Members are requested to approve and ratify their appointment. Members are also requested to empower the Board for fixation of Auditors' Remuneration. The Auditors' Report to the Shareholders for the year under review does not contain any qualification.

## COST AUDITORS

Pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Amendment Rules, 2014, the cost audit records maintained by the Company in respect of its manufacturing activity is required to be audited. Your Directors have, on the recommendation of the Audit Committee, appointed M/s. B. G. Chowdhury & Co., Cost Accountants, (Firm Registration number 000064) as Cost Auditors of the Company for the Financial Year ended 31st March, 2016 in the Board Meeting held on 28th April, 2015. The remuneration proposed to be paid to them for the Financial Year 2015-16, as recommended by Audit Committee, was ratified in the meeting of Shareholders held on 26th May, 2015.

M/s. B. G. Chowdhury & Co., Cost Accountants, (Firm Registration number 000064) have expressed their willingness to be appointed as Cost Auditors of the Company for ensuing Financial Year. The Board, on recommendation of the Audit Committee

has appointed M/s. B. G. Chowdhury & Co., Cost Accountants, (Firm Registration number 000064) as Cost Auditors of the Company for the Financial Year 2016-17 subject to ratification of their remuneration by Shareholders in the General Meeting of the Company.

The cost audit report for the Financial Year 2014-15 was filed with the Ministry of Corporate Affairs on 24.09.2015.

## SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed Mr. Manoj Kumar Banthia, Practising Company Secretary, of M/s. MKB & Associates, a firm of Company Secretaries in Practice, to undertake the Secretarial Audit of the Company. The Secretarial Audit Report is annexed herewith and marked **Annexure-2**. The report is self-explanatory and do not call for any further comments.

## PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

During the year under review, your Company has not made any investment or provided guarantee or security in connection with a loan to any person falling under ambit of Section 186 of the Companies Act, 2013.

The Loans given by your Company to its Fellow Subsidiary falling under ambit of Section 186 (2) of the Companies Act, 2013 were within the limits prescribed. Details of the loans covered under the provisions of Section 186 of the Companies Act, 2013 are given in the notes to the Financial Statements.

## RELATED PARTY TRANSACTIONS

All related party transactions are entered on arm's length basis, in the ordinary course of business and are in compliance with the applicable provisions of the Companies Act, 2013. There are no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large. Accordingly, no transactions are being reported in Form AOC-2 in terms of Section 134 of the Act read with Rule 8 of the Companies (Accounts) Rules, 2014. However, the details of the transactions with the Related Party are provided in the Company's financial statements in accordance with the Accounting Standards.

All Related Party Transactions are presented to the Audit Committee and the Board. Omnibus approval is obtained for the transactions which are foreseen and repetitive in nature. A statement of all related party transactions is presented before the Audit Committee on a quarterly basis, specifying the nature, value and terms and conditions of the transactions.

## RESERVES

During the year under review no amount was transferred to reserves.

## DIVIDEND

In order to conserve resources to meet operational requirement, your Directors do not recommend any dividend for the year under review.

## ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo as stipulated in section 134 (3) (m) of the Act and rules framed there under is mentioned below:

### (A) Steps taken towards Conservation of energy:

- Replacement of worn out table liners and tyres in coal mill has resulted into better operational efficiency and saving in power ;
- Installation of Variable Fan Drives in Raw mill cyclone discharge bag filter, raw mill reject bag filter fan, RABH air slide blower bag filter fan, kiln tire cooling fan, blending silo top bag filter fan and silo aeration blower has resulted into lower power consumption;
- Conventional Lamps were replaced with LED lights.

### (B) Steps taken toward Technical Absorption:

- Replacement of 80 MM height tip casting plate with 120 mm and introducing coating repellent refractory bricks resulted into consistent running of kiln and thereby reduction in specific power consumption;
- Modification in diameter of dust settling chamber discharge pipe resulted into lowering down the frequency of stoppages;
- Replacement of bricks with LC Castables in different hot zone areas of kiln and cooler resulted into arresting premature refractory failure and thereby consistency in operation of kiln;
- Provision of Interlock kiln tire cooling fan with tire temperature has resulted into optimization of fan running hours and thereby reduction in power consumption;
- Upgradation of geared motor of ESP chain conveyor resulted into reduction in tripping and frequent stoppage;
- Raw Mix Optimization to reduce additives is expected to reduce the cost of raw materials;
- The Company has developed a Research & Development cell for carrying out R&D Projects in the plant with specific objective of development of advanced systems for the mills, Kiln optimization, and alternate fuel for kiln and quality improvement. During the year under review, your Company incurred Revenue Expenditure of ₹ 23.60 Lacs and there was Capital expenditure of ₹ 65.25 Lacs in Research & Development.

### (C) Foreign Exchange Earnings and Out-Go

- During the period under review, there was no Foreign Exchange Earning and Foreign Exchange Outgo was ₹ 3,669.97 Lacs.

## CORPORATE SOCIAL RESPONSIBILITY (CSR)

Your Company has been consistent in its efforts in the area of sustainable development taking along with it society at large. In line with requirements of the Companies Act, 2013 and rules framed there under, your Company has aligned its CSR activities in accordance there to. Your Company's CSR activities revolve around themes like developing long-term program with stakeholders with their participation and improving the quality of life of communities residing in and around plant operational areas. In line with the above stated themes, your Company has undertaken various activities towards social development. The area focused upon were health, drinking water, sanitation and rural development through participation.

Your Company organized health camps emphasizing the special need of the stakeholders. Apart from preventive health care support to the communities, the Company has actively supported Government initiatives to bring Primary Health care across remote areas. By joining hands with Government machinery and District Administration, the Company created awareness about diabetic care and proper diagnosis of health condition of human being.

Towards education, efforts were made to provide primary education through One Teacher School i.e. Ekal Vidyalaya in the vicinity of plants and many other areas through the Implementing Agency.

Annual Report on CSR as required to be annexed in terms of requirement of Section 135 of the Companies Act, 2013 and rules framed thereunder is annexed herewith and marked **Annexure- 3**.

## PERFORMANCE EVALUATION

In accordance with the requirements of the Companies Act, 2013, the performance evaluation of the Board was carried out during the year under review. The Board follows a formal mechanism for the evaluation of the performance of the Board as well as Committee. The evaluation reflected the overall engagement of the Board and the Committee.

A structured questionnaire was prepared after taking into consideration inputs received from the Directors, covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance.

The Nomination and Remuneration Committee at its meeting established the criteria based on which the Board evaluate the performance of the Directors.

A separate exercise was carried out to evaluate the performance of individual Directors including the Chairman of the Board, on parameters such as level of engagement and contribution, independence of judgment, safeguarding the interest of the Company and its minority Shareholders, etc. The performance evaluation of the Non-Independent Directors and Board as a whole was also carried out by the Independent Directors.

The Directors expressed their satisfaction over the evaluation process and results thereof.

## **DIRECTORS AND KEY MANAGERIAL PERSONNEL**

In accordance with the provisions of the Companies Act, 2013 and in terms of the Memorandum and Articles of Association of the Company, Mr. Sajjan Bhajanka and Mrs. Ibaridor Katherine War, Directors, will retire by rotation and being eligible offer themselves for re-appointment. In view of their considerable experience, your Directors recommend their re-appointment.

Ms. Nupur Burman, Company Secretary and Key Managerial Personnel of the Company has resigned with effect from 31st January, 2016. The Board placed on record its appreciation for service rendered by Ms. Burman during her tenure as Company Secretary of your Company.

On the recommendation of the Nomination and Remuneration Committee, the Board has appointed Mr. Swarup Chand Kayal as the Chief Financial Officer and Mr. Kamal Kishore Sewoda as the Company Secretary and Key Managerial Personnel of the Company with effect from 1st August, 2015 and 8th February, 2016 respectively. However, Mr. Kamal Kishore Sewoda, Company Secretary and Key Managerial Personnel of the Company has resigned with effect from 18th March, 2016. The Board placed on record its appreciation for service rendered by Mr. Sewoda during his short tenure as Company Secretary of your Company.

On the recommendation of the Nomination and Remuneration Committee, the Board has appointed Mr. Koushik Ranjan Saha as Company Secretary and Key Managerial Personnel of the Company with effect from 2nd May, 2016.

The following personnel are Key Managerial Personnel of the Company:

1. Mr. Prem Kumar Bhajanka - Managing Director
2. Mr. Swarup Chand Kayal - Chief Financial Officer
3. Mr. Koushik Ranjan Saha - Company Secretary

## **HOLDING COMPANY**

Your Company continues to remain subsidiary of M/s Cement Manufacturing Company Limited which holds 87.49% equity in the Company.

## **SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE**

The Company does not have any subsidiary, associate and joint venture.

## **DEPOSITS**

During the year under report, the Company has not accepted any deposits from public or from any of the Directors of the Company or their relatives falling under ambit of Section 73 of the Companies Act, 2013.

## **CHANGES IMPACTING GOING CONCERN STATUS AND COMPANY'S OPERATIONS**

During the year under review, there have been no material orders passed by the Regulators/Courts impacting materially the going concern status or future operations of the Company.

There were no material changes and commitments affecting the financial position of the Company during the year under review.

## **ADEQUACY OF INTERNAL FINANCIAL CONTROL**

The Company has an Internal Control System, commensurate with the size, scale and complexity of its operations. To maintain its objectivity and independence, the Internal Audit function reports to the Chairman of the Audit Committee of the Board.

The Internal Audit Department monitors and evaluates the efficacy and adequacy of internal control system in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company. Based on the report of internal audit function, process owners undertake corrective action in their respective areas and thereby strengthen the controls. Significant audit observations and recommendations along with corrective actions thereon are presented to the Audit Committee of the Board.

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Company has in place adequate internal financial controls commensurate with the size, scale and complexity of its operations. During the year, such controls were tested and no reportable material weakness in the design or operations were observed. The Company has policies and procedures in place for ensuring proper and efficient conduct of its business, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information.

## **POLICY ON PREVENTION OF SEXUAL HARASSMENT**

The Company values the integrity and dignity of its employees. The Company has put in place a 'Policy on Prevention of Sexual Harassment' as per the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 ("Sexual Harassment Act"). We affirm that adequate access has been provided to any complainants who wish to register a complaint under the policy. No complaint was received during the year.

## **RISK MANAGEMENT**

Risk management refers to the practice of identifying potential risks in advance, analysing them and taking precautionary steps to reduce the risk. The Company has evolved a risk management framework to identify, assess and mitigate the key risk factors of

the business. The Board of the Company is kept informed about the risk management of the Company.

### COMMITTEES OF THE BOARD

The details of composition of the Committees of the Board of Directors are as under:-

#### a. Audit Committee

Your Company has an Audit Committee at the Board level, which acts as a link between the management, the statutory and internal auditors and the Board of Directors to oversee the financial reporting process.

During the year under review, the Audit Committee met Four (4) times to deliberate on the various matters. The Meetings were held on 28th April, 2015, 22nd July, 2015, 2nd November, 2015 and 8th February, 2016. The composition of the Committee and the attendance details of the members are given below:

Name of the Director	Category	Chairman/ Members	No of Meetings	
			Held	Attended
Mr. Santanu Ray	Independent	Chairman	4	4
Mr. Mangilal Jain	Independent	Member	4	4
Mr. Sajjan Bhajanka	Non- Independent	Member	4	4

A Vigil (Whistle Blower) mechanism provides a formal mechanism to the Employees and Directors to report to the Management, concerns about unethical behavior, actual or suspected fraud or violation of the Codes of conduct or policy. The mechanism provides for adequate safeguards against victimization of employees and Directors to avail of the mechanism and also provide for direct access to the Chairman of the Audit Committee in exceptional cases. Pursuant to the requirements of the Act, the Company has established vigil mechanism for its directors and employees under the supervision of audit committee. A whistle blower policy setting out the vigil mechanism is already in place in your Company.

#### • CSR Committee

The Corporate Social Responsibility (CSR) Committee was constituted as per the requirements of Section 135 of the Companies Act 2013 at the Board level.

During the year, your Company has carried out various activities as part of its CSR initiative. The focus areas have been health care, education, sustainable livelihood, infrastructure and social reform.

During the year, the Committee met on 12th February, 2016. The composition of the Committee and the attendance details of the members are given below:

Name of the Director	Category	Chairman/ Members	No of Meetings	
			Held	Attended
Mr. B.B. Agarwal	Non-Independent	Chairman	1	1
Mr. Sajjan Bhajanka	Non-Independent	Member	1	1
Mr. Mangilal Jain	Independent	Member	1	1

#### • Nomination & Remuneration Committee

The Committee identifies, screens and review individuals who are qualified to become Directors, Key Managerial Personnel and Senior Management Staff. The Committee also makes recommendations to the Board for such appointment and removal and carries out evaluation of every director's performance.

During the year, the Committee met on 28th April, 2015, 22nd July, 2015 and 8th February, 2016. The composition of the Committee and the attendance details of the members are given below:

Name of the Director	Category	Chairman/ Members	No of Meetings	
			Held	Attended
Mr. Santanu Ray	Independent	Chairman	3	3
Mr. Sajjan Bhajanka	Non-Independent	Member	3	3
Mr. Mangilal Jain	Independent	Member	3	3

## HUMAN RESOURCE DEVELOPMENT & INDUSTRIAL RELATIONS

Employee relationship with your Company continues to remain cordial and harmonious. Your Directors place on record their appreciation for the continued support rendered by the employees of the Company.

The Company is continuing its efforts in induction of local managerial and non-managerial employees and has conducted regular recruitment and training programs for development of required skills at the local level.

## PARTICULARS OF EMPLOYEES

The Company has no employee whose remuneration exceeds the limit prescribed under section 197 of the Companies Act, 2013 read with Rule, 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

## ACKNOWLEDGEMENT

The Directors would like to express their grateful appreciation for the assistance and cooperation received from the Banks, Financial Institutions, Government Authorities, Local Authorities, Customers, Vendors, Business partners/associates and Holding Company for their continued guidance and support.

Your Directors would also like to place on record their sincere appreciation for the commitment, dedication and hard work put in by every member of the Company and dedicates the credit for the Company's achievements to them.

**For and on behalf of the Board of Directors**

Place: Kolkata  
Date: 2nd May, 2016

**Prem Kumar Bhajanka**  
Managing Director  
(DIN: 00591512)

**Sajjan Bhajanka**  
Director  
(DIN: 00246043)

# Annexure 1 to Directors' Report

**FORM NO. MGT - 9**  
**EXTRACT OF ANNUAL RETURN**

As on Financial Year ended on 31st March, 2016

[Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management & Administration) Rules, 2014]

## I. REGISTRATION & OTHER DETAILS:

1	CIN	U63090ML2005PLC008011
2	Registration Date	Incorporated on 22nd December, 2005
3	Name of the Company	Star Cement Meghalaya Limited
4	Category/Sub-category of the Company	Company limited by Shares/ Non - Govt. Company
5	Address of the Registered office & contact details	"Village: Lumshnong, P.O.: Khaliehriat, Dist.: East Jaintia Hills, Meghalaya – 793210 Phone No. : 03655 -278215/16/18
6	Whether listed company	No
7	Name, Address & contact details of the Registrar & Transfer Agent, if any	Not Applicable

## II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

(All the business activities contributing 10% or more of the total turnover of the company are stated)

Sl. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
1	Cement Clinker	23941	99.93

## III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	Cement Manufacturing Company Ltd. (CMCL) (Subsidiary of SFCL) Village: Lumshnong, PO: Khaliehriat, Dist.: East Jaintia Hills, Meghalaya – 793210	U26942ML2001PLC006663	Holding	87.49	2(46)
2	Star Ferro and Cement Limited (SFCL) Village: Lumshnong, PO: Khaliehriat, Dist.: East Jaintia Hills, Meghalaya – 793210	L27310ML2011PLC008564	SFCL holds 70.48% shares in CMCL, therefore the Company is a step down subsidiary of SFCL.		2(46)

# STAR CEMENT MEGHALAYA LIMITED

## IV. SHARE HOLDING PATTERN (Equity share capital breakup as percentage of total equity)

### (i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year [As on 01-April-2015]				No. of Shares held at the end of the year [As on 31-March-2016]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) *Individual/ HUF	-	6	6	0.00	-	6	6	0.00	-
b) Central Govt.	-	-	-	-	-	-	-	-	-
c) State Govt.(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corporate	-	29,817,812	29,817,812	100.00	-	29,817,812	29,817,812	100.00	-
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any other	-	-	-	-	-	-	-	-	-
<b>Sub -total (A) (1)</b>	-	<b>29,817,818</b>	<b>29,817,818</b>	<b>100.00</b>	-	<b>29,817,818</b>	<b>29,817,818</b>	<b>100.00</b>	-
<b>(2) Foreign</b>									
a) NRIs - Individuals	-	-	-	-	-	-	-	-	-
b) Other - Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corporate	-	-	-	-	-	-	-	-	-
d) Banks / FI	-	-	-	-	-	-	-	-	-
e) Any other	-	-	-	-	-	-	-	-	-
<b>Sub - total (A) (2)</b>	-	-	-	-	-	-	-	-	-
<b>Total shareholding of promoter (A) = (A) (1) + (A) (2)</b>	-	<b>29,817,818</b>	<b>29,817,818</b>	<b>100.00</b>	-	<b>29,817,818</b>	<b>29,817,818</b>	<b>100.00</b>	-
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks / FI	-	-	-	-	-	-	-	-	-
c) Central Govt.	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
<b>Sub-total (B)(1)</b>	-	-	-	-	-	-	-	-	-
<b>2. Non-Institutions</b>									
a) Bodies Corporate									
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	-	-	-	-	-	-	-	-	-
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	-	-	-	-	-	-	-	-	-

Category of Shareholders	No. of Shares held at the beginning of the year [As on 01-April-2015]				No. of Shares held at the end of the year [As on 31-March-2016]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
c) Others (specify)	-	-	-	-	-	-	-	-	-
<b>Sub-total (B)(2)</b>	-	-	-	-	-	-	-	-	-
<b>Total Public shareholding (B) = (B) (1) + (B) (2)</b>	-	-	-	-	-	-	-	-	-
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	-	<b>29,817,818</b>	<b>29,817,818</b>	<b>100.00</b>	-	<b>29,817,818</b>	<b>29,817,818</b>	<b>100.00</b>	-

\* 6 individuals holding one each share each as nominees of Cement Manufacturing Company Limited.

#### (ii) Shareholding of Promoters

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year [As on 01-April-2015]			Shareholding at the end of the year [As on 31-March-2016]			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Cement Manufacturing Company Ltd. *	26,088,656	87.49	-	26,088,656	87.49	-	-
2	Megha Technical & Engineers Private Ltd.	3,729,162	12.51	-	3,729,162	12.51	-	-
	<b>Total</b>	<b>29,817,818</b>	<b>100.00</b>	-	<b>29,817,818</b>	<b>100.00</b>	-	-

\*Cement Manufacturing Company Limited along with its 6 nominees.

#### (iii) Change in Promoters' Shareholding (please specify, if there is no change)

Sl. No.	Particulars	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of Shares	% of total Shares	No. of Shares	% of total Shares
	At the beginning of the year			No change during the year			
	Changes during the year						
	At the end of the year						

#### (iv) Shareholding Pattern of top ten Shareholders

(Other than Directors, Promoters and Holders of GDRs and ADRs):

Sl. No.	For each of the Top 10 shareholders	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of Shares	% of total Shares	No. of Shares	% of total Shares
	At the beginning of the year			NOT APPLICABLE			
	Changes during the year						
	At the end of the year						

# STAR CEMENT MEGHALAYA LIMITED

## (v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	Shareholding of each Directors and each Key Managerial Personnel	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of Shares	% of total Shares	No. of Shares	% of total Shares
<b>1</b>	<b>Mr. Sajjan Bhajanka (Non-Executive Director)</b>						
	At the beginning of the year			-	-	-	-
	Changes during the year						
	At the end of the year			-	-	-	-
<b>2</b>	<b>Mr. Sanjay Agarwal (Non-Executive Director)</b>						
	At the beginning of the year			-	-	-	-
	Changes during the year						
	At the end of the year			-	-	-	-
<b>3</b>	<b>Mr. Rajendra Chamaria (Non-Executive Director)</b>						
	At the beginning of the year			-	-	-	-
	Changes during the year						
	At the end of the year			-	-	-	-
<b>4</b>	<b>Mr. Prem Kumar Bhajanka (Managing Director)</b>						
	At the beginning of the year			-	-	-	-
	Changes during the year						
	At the end of the year			-	-	-	-
<b>5</b>	<b>Mr. B.B. Agarwal (Non-Executive Director)</b>						
	At the beginning of the year			-	-	-	-
	Changes during the year						
	At the end of the year			-	-	-	-
<b>6</b>	<b>Mr. Pankaj Kejriwal (Non-Executive Director)</b>						
	At the beginning of the year			-	-	-	-
	Changes during the year						
	At the end of the year			-	-	-	-
<b>7</b>	<b>Mr. Mangilal Jain (Independent Director)</b>						
	At the beginning of the year			-	-	-	-
	Changes during the year						
	At the end of the year			-	-	-	-
<b>8</b>	<b>Mr. Santanu Ray (Independent Director)</b>						
	At the beginning of the year			-	-	-	-
	Changes during the year						
	At the end of the year			-	-	-	-
<b>9</b>	<b>Mrs. Ibaridor Katherine War (Non-Executive Director)</b>						
	At the beginning of the year			-	-	-	-
	Changes during the year						
	At the end of the year			-	-	-	-
<b>10</b>	<b>Mr. Swarap Chand Kayal (Chief Financial Officer w.e.f. 1st August, 2015)</b>						
	At the beginning of the year			-	-	-	-
	Changes during the year						
	At the end of the year			-	-	-	-
<b>11</b>	<b>Ms. Nupur Burman (Company Secretary - Upto 31st January, 2016)</b>						
	At the beginning of the year			-	-	-	-
	Changes during the year						
	At the end of the year			-	-	-	-
<b>12</b>	<b>Mr. Kamal Kishor Sewoda (Company Secretary - w.e.f. 8th February, 2016 to 18th March, 2016)</b>						
	At the beginning of the year			-	-	-	-
	Changes during the year						
	At the end of the year			-	-	-	-

## V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

(₹ in Lacs)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits**	Total Indebtedness
<b>Indebtedness at the beginning of the Financial Year</b>				
i) Principal Amount	34,594.64	2,940.00	-	37,534.64
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	41.21	-	-	41.21
Total (i+ii+iii)	34,635.85	2,940.00	-	37,575.85
<b>Change in Indebtedness during the Financial Year#</b>				
- Addition	5,239.29	4,850.00	-	10,089.29
- Reduction	(10,166.76)	(2,940.00)	-	(13,106.76)
Net Change	(4,927.47)	1,910.00	-	(3,017.47)
<b>Indebtedness at the end of the Financial Year</b>				
i) Principal Amount	29,667.16	4,850.00	-	34,517.16
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	137.80	-	-	137.80
Total (i+ii+iii)	29,804.96	4,850.00	-	34,654.96

\*\* Trade Deposits have not been included.

# Loss on account of Exchange Fluctuation in respect of Loans in Foreign Currency has been included in addition in indebtedness. Similarly, gain on account of Exchange Fluctuation has been included in Reduction in indebtedness.

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

(₹ in Lacs)

Sl. No.	Particulars of Remuneration	Name of MD/WTD/ Manager	Total Amount
		Mr. Prem Kumar Bhajanka Managing Director	
1	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	60.00	60.00
	(b) Value of perquisites Under Section 17(2) of the Income-tax Act, 1961	-	-
	(c) Profits in lieu of salary under section 17(3) of the Income-tax Act, 1961	-	-
2	Stock Option	-	-
3	Sweat Equity	-	-
4	Commission		
	- as % of profit	-	-
	- others, specify	-	-
5	Others, please specify	-	-
	Total (A)	60.00	60.00
	Ceiling as per the Act	5% of Net Profit as calculated under Section 198 of the Companies Act, 2013	

# STAR CEMENT MEGHALAYA LIMITED

## B. Remuneration to other Directors

(₹ in Lacs)

Sl. No.	Particulars of Remuneration	Name of Directors			Total Amount
		Mr. Santanu Ray	Mr. Mangilal Jain	Mrs. Ibaridor Katherine War	
1	Independent Directors				
	Fee for attending Board /Committee meetings	0.47	0.50	-	0.97
	Commission	-	-	-	-
	Others, please specify	-	-	-	-
	Total (1)	0.47	0.50	-	0.97
2	Other Non-Executive Directors				
	Fee for attending Board /Committee meetings	-	-	0.05	0.05
	Commission	-	-	-	-
	Others, (remuneration paid for availing professional services)	-	-	-	-
	Total (2)	-	-	0.05	0.05
	Total (B)=(1+2)	0.47	0.50	0.05	1.02
	Total Managerial Remuneration				61.02
	Overall ceiling as per the Act	11% of Net profit as calculated under Section 198 of the Companies Act, 2013			

## C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD

(₹ in Lacs)

Sl. No.	Particulars of Remuneration	Name of Key Managerial Personnel			Total Amount
		Mr. Swarup Chand Kayal*	Ms. Nupur Burman <sup>#</sup>	Mr. Kamal Kishor Sewoda <sup>##</sup>	
	<b>Designation</b>	<b>CFO</b>	<b>CS</b>	<b>CS</b>	
1	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	9.61	3.63	0.46	13.70
	(b) Value of perquisites Under Section 17(2) of the Income-tax Act, 1961	-	-	-	-
	(c) Profits in lieu of salary Under Section 17(3) of the Income-tax Act, 1961	-	-	-	-
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission	-	-	-	-
	- as % of profit	-	-	-	-
	- others, specify	-	-	-	-
5	Others, please specify	-	-	-	-
	Total	9.61	3.63	0.46	13.70

\* Mr. Swarup Chand Kayal was appointed as Chief Financial Officer w.e.f 1st August, 2015.

<sup>#</sup> Ms. Nupur Burman, Company Secretary resigned w.e.f 31st January, 2016.

<sup>##</sup> Mr. Kamal Kishor Sewoda was appointed as Company Secretary w.e.f 8th February, 2016 till 18th March, 2016.

**VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:**

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
<b>A. COMPANY</b>					
Penalty	87(1)	Delay in Satisfaction of charge	650	RD	NA
Punishment					
Compounding					
<b>B. DIRECTORS</b>					
Penalty					
Punishment					
Compounding					
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty					
Punishment					
Compounding					

## Annexure 2 to Directors' Report

**SECRETARIAL AUDIT REPORT**  
**Form No. MR-3**  
**FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2016**

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To  
The Members,  
**Star Cement Meghalaya Limited**

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **M/s Star Cement Meghalaya Limited** (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

The Company's Management is responsible for preparation and maintenance of secretarial records and for devising proper systems to ensure compliance with the provisions of applicable laws and Regulations.

Based on the verification of the books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the Financial Year ended on 31st March, 2016 generally complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the Financial Year ended on 31st March, 2016, to the extent applicable, according to the provisions of:

- i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- ii) The Securities Contracts (Regulation) Act, 1956 and Rules made thereunder; **(Not applicable to the company during the Audit period)**
- iii) The Depositories Act, 1996 and Regulations and Bye-laws framed thereunder; **(Not applicable to the company during the Audit period)**
- iv) Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Overseas Direct Investments, Foreign Direct Investments and External Commercial Borrowings, if applicable;
- v) The Regulations and Guidelines prescribed under the Securities & Exchange Board of India Act, 1992 ("SEBI Act"), **(Not applicable to the company during the Audit period)**
- vi) As identified by the Management, the following laws, inter alia, are specifically applicable to the Company:
  - a) Explosives Rules, 2008
  - b) Mines & Minerals (Development & Regulation) Act, 1957
  - c) The Meghalaya Clinker Cess Act, 2015

We have also examined compliance with the applicable clauses of the Secretarial Standards issued by The Institute of Company Secretaries of India; [Applicable from 1st July, 2015]

During the period under review the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that

- a) The Board of Directors of the Company is duly constituted with requisite number of Executive Directors, Woman and Independent Directors. There were no changes in the composition of the Board of Directors during the period under review.
- b) Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.
- c) None of the directors in any meeting dissented on any resolution and hence there was no instance of recording any dissenting member's view in the minutes.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

**For MKB & Associates**  
Company Secretaries

**Manoj Kumar Banthia**  
[Partner]  
ACS no. 11470  
COP no. 7596

Date: 2nd May, 2016  
Place: Kolkata

# Annexure 3 to Directors' Report

## REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES/ INITIATIVES

[Pursuant to Section 135 of the Act & Rules made thereunder]

**1. A brief outline of the Company's CSR policy, including overview of the projects or programmes proposed to be undertaken and reference to the web-link to the CSR Policy and projects or programmes:**

The Company has framed a CSR Policy in compliance with the provisions of the Companies Act, 2013. The main objective of the Policy is to establish the basic principles and the general framework of action for management to undertake and fulfill its Corporate Social Responsibility.

**2. The composition of the CSR Committee**

- Mr. B.B. Agarwal - Chairman
- Mr. Sajjan Bhajanka - Non-Executive Director
- Mr. Mangilal Jain - Independent Director

**3. Average Net Profit of the Company for last 3 Financial Years: ₹ 1,155.38 Lacs**

**4. Prescribed CSR expenditure (2% of amount) : ₹ 23.11 Lacs**

**5. Details of CSR activities/projects undertaken during the year:**

a) Total amount to be spent for the Financial Year: ₹ 23.11 Lacs

b) Amount un-spent, if any: Nil

c) Manner in which the amount spent during Financial Year is detailed below:

(₹ in Lacs)

1	2	3	4	5	6	7	8
Sl. No.	CSR project or activity identified	Sector in which the Project is covered	Projects/Programs 1.Local area or other 2.Specify the state and district where project or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub-heads: 1.Direct expenditure on projects or programs, 2.Overheads:	Cumulative expenditure upto the reporting period	Amount spent: Direct/ through implementing agency
1.	Education Project: To provide non-formal primary education through cost effective One Teacher school (O.T.S.) i.e. Ekal Vidyalaya	Education	Throughout the Country	44.40	44.40	44.40	Through implementing agency i.e. Friends of Tribal Society.
2.	Development activities like drinking water supply, Village Development	Health Care, poverty and Malnutrition	Assam and Meghalaya	7.00	7.00	7.00	Through implementing agency i.e. Lumshnong Village Council
3	Protection of Flora and Fauna	Environmental sustainability	Jowai, Meghalaya	15.11	15.11	15.11	Direct/ Divisional Forest Officer

We hereby confirm that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

Place: Kolkata  
Date: 2nd May, 2016

**Prem Kumar Bhajanka**  
Managing Director  
(DIN: 00591512)

**B.B. Agarwal**  
Chairman – CSR Committee  
(DIN: 01125056)

## Independent Auditors' Report

To  
The Members of  
**Star Cement Meghalaya Limited**

### Report on the Financial Statements

We have audited the accompanying Financial Statements of **Star Cement Meghalaya Limited** ('the Company'), which comprise the Balance Sheet as at 31 March 2016, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of

the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Financial Statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2016 and its profit and its cash flows for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A, a statement on the matters specified in the paragraph 3 and 4 of the order.
2. As required by Section 143 (3) of the Act, we report that:
  - (a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) in our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) the balance sheet, the statement of profit and loss and the cash flow statement dealt with by this Report are in agreement with the books of account;
  - (d) in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
  - (e) on the basis of the written representations received from the directors as on 31 March 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2016 from being appointed as a director in terms of Section 164 (2) of the Act;

- (f) with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B"; and
- (g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of its pending litigations on its financial position in its financial statements – Refer Note 2.29 to the financial statements
- ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For **KAILASH B. GOEL & CO.**  
Firm Registration No.322460E  
*Chartered Accountants*

**CA. Arun Kumar Sharma**  
*Partner*  
Membership No. 057329

Place : Kolkata  
Date : 2nd May, 2016

## Annexure - A to the Auditors' Report

The Annexure referred to in Independent Auditors' Report to the members of the Company on the Financial Statements for the year ended 31 March 2016, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets
- (b) The fixed assets of the Company are physically verified by management according to a phased programme on a rotational basis, which in our opinion is reasonable having regard to the size of the Company and the nature of its fixed assets. No material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company.
- (ii) The inventory, except goods in transit and materials lying with third parties, which have been substantially confirmed by them, has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable and no material discrepancies were observed.
- (iii) The Company has granted loan to a Company covered in the register maintained under section 189 of the Companies Act, 2013 ('the Act').
  - (a) In our opinion, the rate of interest and other terms and conditions on which the loans had been granted to the bodies corporate listed in the register maintained under Section 189 of the Act were not, prima facie, prejudicial to the interest of the Company.
  - (b) In the case of the loans granted to the body corporate listed in the register maintained under section 189 of the Act, the borrowers have been regular in the payment of the principal and interest as stipulated.
  - (c) There are no overdue amounts in respect of the loan granted to the body corporate listed in the register maintained under section 189 of the Act.
- (iv) In our opinion and according to the information and explanations given to us, the Company has complied with

the provisions of section 185 and 186 of the Act, with respect to the loans and investments made.

- (v) The Company has not accepted any deposits from the public.
- (vi) We have broadly reviewed the accounts and records maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 148(1) of the Act. We are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the said records with a view to determine that they are accurate.
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues have been regularly deposited during the year by the Company with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, sales tax, value added tax, duty of customs, duty of excise, service tax, cess (except cement clinker cess) and other material statutory dues were in arrears as at 31 March 2016 for a period of more than six months from the date they became payable except as detailed below:

Nature of Due	Amount (₹ lacs)
Cement Clinker Cess	325.65

- (b) According to the information and explanations given to us, there are no material dues of duty of customs, income tax, sales tax, service tax and value added tax which have not been deposited with the appropriate authorities on account of any dispute. However, according to information and explanations given to us, the following dues of duty of excise and service tax have not been deposited by the Company on account of disputes:

Name of the statute	Nature of dues	Amount (in ₹)	Period to which the amount relates	Forum where dispute is pending
The Central Excise Act ,1944	Excise Duty	165.49	Feb-14 to March-15	Commissioner, Central Excise-Shillong

- (viii) Based on our audit procedures and as per the information & explanation given by the management, the Company has not defaulted in repayment of dues to financial Institution or Banks. The Company has not issued any debentures.
- (ix) The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3 (ix) of the Order is not applicable.
- (x) According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.
- (xi) According to the information and explanations give to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- (xiv) According to the information and explanations give to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.

For **KAILASH B. GOEL & CO.**  
Firm Registration No.322460E  
*Chartered Accountants*

**CA. Arun Kumar Sharma**  
*Partner*  
Membership No. 057329

Place : Kolkata  
Date : 2nd May, 2016

## Annexure - B to the Auditors' Report

### Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **Star Cement Meghalaya Limited** ("the Company") as of 31 March 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

### Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

### Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

### Meaning of Internal Financial Controls over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

### Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### Opinion

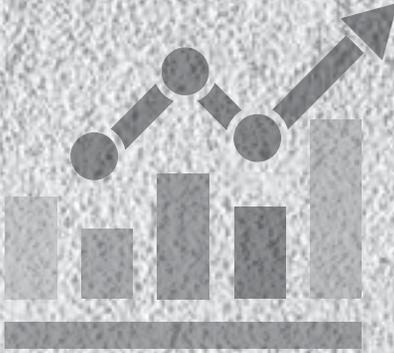
In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **KAILASH B. GOEL & CO.**  
Firm Registration No.322460E  
*Chartered Accountants*

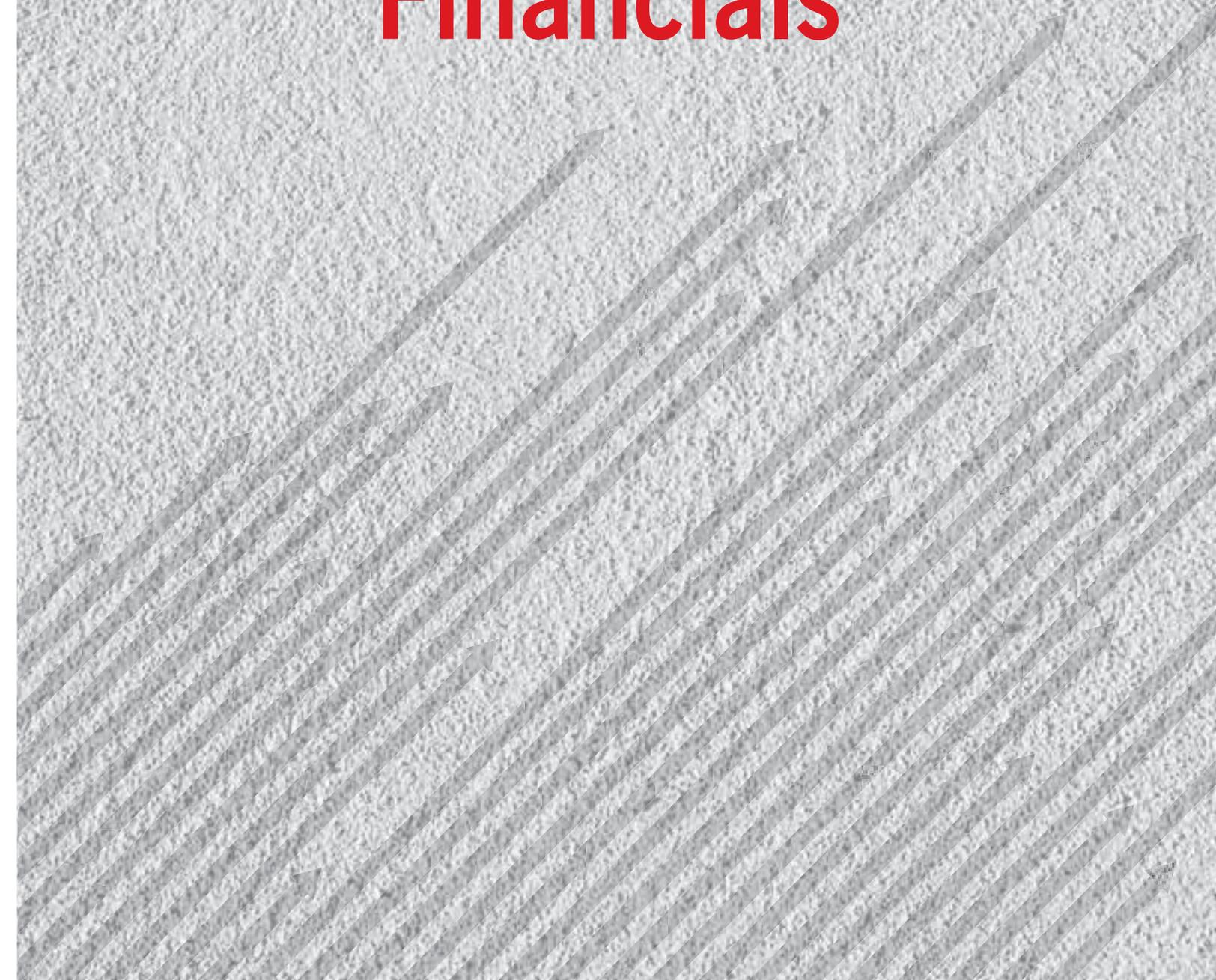
**CA. Arun Kumar Sharma**  
*Partner*

Place : Kolkata  
Date : 2nd May, 2016

Membership No. 057329



# Financials



## Balance Sheet

as at 31st March, 2016

Particulars	Note	(₹ in Lacs)	
		31.03.2016	31.03.2015
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
Share Capital	2.1	2,981.78	2,981.78
Reserves and Surplus	2.2	43,037.29	36,235.11
		<b>46,019.08</b>	<b>39,216.89</b>
<b>NON-CURRENT LIABILITIES</b>			
Long Term Borrowings	2.3	15,102.47	27,117.09
Other Long Term Liabilities	2.4	38.52	74.38
Long Term Provisions	2.5	44.30	28.84
		15,185.29	27,220.31
<b>CURRENT LIABILITIES</b>			
Short Term Borrowings	2.6	9,890.34	930.84
Trade Payables		1,462.55	1,314.01
Other Current Liabilities	2.7	12,210.23	11,871.02
Short Term Provisions	2.8	22.45	16.64
		<b>23,585.58</b>	<b>14,132.51</b>
<b>Total</b>		<b>84,789.95</b>	<b>80,569.72</b>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed Assets			
-Tangible Assets	2.9	40,716.98	45,972.51
-Intangible Assets	2.10	3.48	1.79
-Capital Work in Progress		180.53	1,254.65
		40,901.00	47,228.95
Long Term Loans and Advances	2.11	20,227.95	17,514.41
Other Non Current Assets	2.12	4.84	2.75
		<b>61,133.78</b>	<b>64,746.11</b>
<b>CURRENT ASSETS</b>			
Inventories	2.13	7,975.16	3,938.09
Trade Receivables	2.14	12,562.46	9,987.83
Cash and Cash Equivalents	2.15	934.59	118.68
Short Term Loans and Advances	2.16	2,183.96	1,779.00
		<b>23,656.16</b>	<b>15,823.61</b>
<b>Total</b>		<b>84,789.95</b>	<b>80,569.72</b>
Significant accounting policies and notes on accounts	1 & 2		
The accompanying notes are an integral part of the financial statements			

As per our report of even date

For **Kailash B. Goel & Co.**

Firm Registration No. 322460E  
Chartered Accountants

**CA. Arun Kumar Sharma**  
Partner  
Membership No : 057329

Place: Kolkata  
Date : 2nd May, 2016

For and on Behalf of the Board of Directors

**Swarup Chand Kayal**  
Chief Financial Officer

**Koushik Ranjan Saha**  
Company Secretary

**Sajjan Bhajanka**  
Director  
DIN : 00246043

**Prem Kumar Bhajanka**  
Managing Director  
DIN : 00591512

## Statement of Profit and Loss

for the year ended 31st March, 2016

Particulars	Note	(₹ in Lacs)	
		2015-16	2014-15
<b>INCOME</b>			
Revenue from Operations (Gross)	2.17	52,854.90	49,067.72
Less/(Add): Excise Duty		1,339.96	1,343.65
Revenue from Operations (Net)		<b>51,514.94</b>	<b>47,724.07</b>
Other Income	2.18	9.03	2.37
<b>Total Revenue</b>		<b>51,523.97</b>	<b>47,726.44</b>
<b>EXPENSES</b>			
Cost of materials consumed	2.19	6,255.44	6,182.33
(Increase)/ Decrease in Inventories	2.20	135.32	275.21
Employee Benefit Expenses	2.21	2,092.26	1,929.23
Finance Costs	2.22	3,716.50	4,319.00
Depreciation and Amortization Expenses		8,839.77	11,025.53
Other Expenses	2.23	23,684.42	19,084.83
<b>Total Expenses</b>		<b>44,723.71</b>	<b>42,816.12</b>
<b>PROFIT/(LOSS) BEFORE EXCEPTIONAL AND EXTRAORDINARY ITEMS AND TAX</b>		<b>6,800.25</b>	<b>4,910.33</b>
Exceptional Items		1.94	2.07
<b>Profit/(Loss) before tax</b>		<b>6,802.19</b>	<b>4,912.39</b>
<b>Tax Expenses</b>			
-Current Tax		1,461.19	1,016.74
Less: MAT Credit Entitlement		(1,461.19)	(1,016.74)
-Net Current Tax		-	-
-Deferred Tax		-	152.19
<b>Profit/(Loss) for the year</b>		<b>6,802.19</b>	<b>5,064.58</b>
<b>Earnings Per Equity Share (Face Value of ₹ 10/- each) (refer note-2.34)</b>			
Basic Earning Per Share		22.81	16.99
Diluted Earning Per Share		22.81	16.99
Significant accounting policies and notes on accounts	1 & 2		
The accompanying notes are an integral part of the financial statements			

As per our report of even date

For **Kailash B. Goel & Co.**  
Firm Registration No. 322460E  
Chartered Accountants

**CA. Arun Kumar Sharma**  
Partner  
Membership No : 057329

Place: Kolkata  
Date : 2nd May, 2016

For and on Behalf of the Board of Directors

**Swarup Chand Kayal**  
Chief Financial Officer

**Koushik Ranjan Saha**  
Company Secretary

**Sajjan Bhajanka**  
Director  
DIN : 00246043

**Prem Kumar Bhajanka**  
Managing Director  
DIN : 00591512

## Cash Flow Statement

for the year ended 31st March, 2016

		(₹ in Lacs)	
Sl. No.	Particulars	2015-16	2014-15
<b>A</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
	Net Profit / (Loss) before Tax and Exceptional Items	6,800.25	4,910.32
	Adjustments for :		
	Depreciation	8,839.77	11,025.53
	Interest Income	(9.03)	(2.37)
	Interest Expenses	3,716.50	4,319.00
	Provision for Leave Encashment	34.80	25.83
	Provision for Gratuity	31.96	19.66
	Provision for Income Tax & Wealth Tax	-	0.25
	Provision for Bad and Doubtful Debts ( Net of adjustments)	6.53	(6.53)
	<b>Operating Profit before Working Capital changes</b>	<b>19,420.78</b>	<b>20,291.68</b>
	Adjustments for :		
	Inventories	(4,037.07)	1,820.13
	Trade receivables	(2,581.16)	(4,431.61)
	Other Receivables	(1,693.49)	377.01
	Trade/Other Payables	368.79	(3,326.16)
	<b>Cash Generated from Operations</b>	<b>11,477.85</b>	<b>14,731.04</b>
	Direct Taxes Paid	(1,425.00)	(805.00)
	<b>Net Cash flow from Operating Activities</b>	<b>10,052.85</b>	<b>13,926.04</b>
<b>B</b>	<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
	(Purchase)/sale of Fixed Assets (including WIP)- Net*	(2,160.90)	(1,305.85)
	Fixed Deposit / Margin money (given)/ refund	(2.09)	7.76
	Interest Received	9.03	2.37
	<b>Net Cash used in Investing Activities</b>	<b>(2,153.96)</b>	<b>(1,295.72)</b>
<b>C</b>	<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
	Loans from Companies and Public Bodies	(2,340.00)	(110.00)
	Proceeds from /(Repayment of) Long Term Borrowings*	(9,985.98)	(6,326.72)
	Proceeds from /(Repayment of) Short Term Borrowings	8,959.50	(2,054.33)
	Interest paid	(3,716.50)	(4,319.00)
	<b>Net Cash used in Financing Activities</b>	<b>(7,082.98)</b>	<b>(12,810.04)</b>
	<b>Net Increase/(decrease) in cash and cash equivalents (A+B+C)</b>	<b>815.92</b>	<b>(179.71)</b>
	Cash and Cash Equivalents		
	Opening Balance	118.67	298.38
	Closing Balance	934.59	118.67

\* Excluding notional foreign exchange loss of ₹ 348.98 Lacs (Previous Year Loss ₹ 116.88 Lacs ) capitalised/reduced in accordance with para 46A of AS-11

As per our report of even date

For and on Behalf of the Board of Directors

For **Kailash B. Goel & Co.**  
Firm Registration No. 322460E  
Chartered Accountants

**CA. Arun Kumar Sharma**  
Partner  
Membership No : 057329

**Swarup Chand Kayal**  
Chief Financial Officer

**Sajjan Bhajanka**  
Director  
DIN : 00246043

Place: Kolkata  
Date : 2nd May, 2016

**Koushik Ranjan Saha**  
Company Secretary

**Prem Kumar Bhajanka**  
Managing Director  
DIN : 00591512

# Notes To Financial Statements

## Significant Accounting Policies and Notes to the financial statements for the year ended 31st March, 2016

### Corporate information

Star Cement Meghalaya Limited (the Company) is a Public Limited Company domiciled in India and incorporated on 22nd December, 2005 under the provisions of Companies Act, 1956. The Company is engaged in manufacturing of Cement Clinker. The manufacturing unit of the Company is located at Lumshnong, Meghalaya. The Company is selling its product across North Eastern and Eastern states of India and also exporting to Bangladesh, Bhutan and Nepal.

### 1. Significant Accounting Policies

#### 1.1 Basis of Preparation

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the Accounting Standards as prescribed under section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the Companies Act, 2013 to the extent notified. The financial statements are prepared under the historical cost convention on accrual basis and on the basis of going concern.

The accounting policies are consistently followed by the Company and changes in accounting policy are separately disclosed.

#### 1.2 Use of Estimates

The preparation of financial statements is in conformity with generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as at the date of financial statements and the results of operations during the reporting year end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

#### 1.3 Fixed Assets

Fixed Assets are stated at their cost of acquisition, installation or construction (net of Cenvat credit and other recoverable, wherever applicable) less accumulated depreciation, amortization and impairment losses, except freehold land which is carried at cost. Cost comprises the purchase price, installation and other attributable cost of bringing the asset to working condition for its intended use. The Company has adopted the provisions of para 46A of Accounting Standard -11 'The Effects of Changes in Foreign Exchange Rates' and accordingly exchange differences arising on restatement/settlement of long-term foreign currency borrowings relating to acquisition of depreciable fixed assets are adjusted to the cost of the respective assets and depreciated over the remaining useful life of such assets.

#### 1.4 Capital Work In Progress

Capital work in progress is carried at cost comprising direct cost and pre-operative project expenses during construction period to be allocated to the fixed assets on completion of construction.

#### 1.5 Expenditure during construction period

In case of new projects and substantial expansion of existing units, expenditure incurred including trial production expenses net of revenue earned, and attributable interest and financing costs, prior to commencement of commercial production/completion of project are capitalized.

#### 1.6 Depreciation

Depreciation on fixed assets is provided on written down value method in accordance with the provisions of Schedule II to the Companies Act, 2013 and considering the useful lives for computing depreciation specified in Part 'C', thereof. Depreciation is provided on components that have homogenous useful lives by using the WDV method so as to depreciate the initial cost down to the residual value over the estimated useful lives. Useful lives, components and residual amounts are reviewed annually.

In respect of an asset for which impairment loss is recognized, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

#### 1.7 Investments

Current Investments are stated at lower of cost and market value. Long-term investments are stated at cost after deducting provisions for permanent diminution in the value, if any.

## Notes To Financial Statements (contd.)

### 1.8 Inventories

Raw Materials, stores and spares are valued at lower of cost and net realizable value. However, these items are considered to be realizable at cost if the finished products, in which they will be used, are expected to be sold at or above cost.

Work in progress and finished goods are valued at lower of cost and net realisable value. Cost includes direct materials & labour and a part of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty.

Cost of Inventories is computed on weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

### 1.9 Retirement Benefits

#### (i) Defined Contribution Plan

Employees benefits in the form of provident fund, ESIC and other labour welfare fund are considered as defined contribution plan and the contributions are charged to the Statement of Profit and Loss for the year when the contributions to the respective funds are due.

#### (ii) Defined Benefit Plan

Retirement benefits in the form of gratuity is considered as defined benefits obligations and are provided for on the basis of an actuarial valuation, using the projected unit credit method, as at the date of the Balance Sheet.

#### (iii) Other Long-term Benefits

Long-term compensated absences are provided for on the actuarial valuation, using the projected unit credit method, as at the date of the Balance Sheet.

Actuarial gain/losses, if any, are recognized in the Statement of Profit & Loss.

### 1.10 Borrowing Costs

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset is capitalized as part of such asset till such time the asset is ready for its intended use. A qualifying asset is an asset that necessarily requires a substantial period of time for its intended use to get ready for its intended use. All other borrowing costs are recognized as expenses in the period in which they are incurred. Borrowing cost includes exchange differences arising from relevant foreign currency borrowings to the extent that they are regarded as an adjustment to the interest cost.

### 1.11 Impairment of Assets

The carrying amounts of assets are reviewed at each Balance Sheet date, if there is any indication of impairment based on internal / external factors. An impairment loss will be recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to the present value by using weighted average cost of capital. A previously recognized impairment loss is further provided or reversed depending on changes in circumstances.

### 1.12 Foreign Currency Transactions

Foreign Transactions in foreign currencies entered into by the Company are accounted at the exchange rates prevailing on the date of the transactions. Exchange differences arising on settlement /restatement of short-term foreign currency monetary assets and liabilities of the Company are recognized as income or expenses in the Statement of Profit and Loss. All long term foreign currency monetary items consisting of liabilities which relate to acquisition of depreciable capital assets at the end of the period/year are restated at the rate prevailing at the Balance Sheet date. The exchange difference arising as a result is added to or deducted from the cost of the assets in accordance with para 46A of Accounting Standard - 11 'The Effects of Changes in Foreign Exchange Rates'. Profit/Loss arising out of cancellation of forward contracts is taken to revenue in the year of cancellation.

### 1.13 Taxes on Income

Tax expense comprises current and deferred tax. Provision for the current tax is made on the basis of taxable income for the current accounting year in accordance with the provisions of Income Tax Act, 1961.

## Notes To Financial Statements (contd.)

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized and carried forward for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. The deferred tax in respect of timing differences which originate during the tax holiday period and is likely to reverse during the tax holiday period, is not recognized to the extent income is subject to deduction during the tax holiday period as per the requirements of the Income Tax Act, 1961. Deferred tax assets / liabilities are reviewed at each Balance Sheet date based on developments during the year to reassess realization / liabilities.

Minimum Alternate Tax (MAT) paid in the year is charged to the Statement of Profit and Loss as current tax. The Company recognizes MAT credit available as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. The Company reviews the carrying amount of MAT at each reporting date and writes down MAT credit entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay normal income tax during the specified period.

### 1.14 Intangible Asset

An Intangible Asset is recognized when it is probable that the future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably. The depreciable amount of an intangible asset is allocated over its estimated useful life. Expenditure on purchased software and IT related expenditure are written off over a period of three years.

### 1.15 Research and Development Expenditure

Revenue expenditure is charged to the Statement of Profit & Loss and capital expenditure is added to the cost of fixed assets in the year in which they are incurred.

### 1.16 Provisions and Contingencies

A Provision is recognized for a present obligation as a result of past events if it is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made. Provisions are determined based on best estimates of the amount required to settle the obligation at the Balance Sheet date. Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty are treated as contingent and disclosed by way of notes to the accounts. Contingent assets are neither recognized nor disclosed in the financial statements.

### 1.17 Cash & Cash Equivalents

Cash and cash equivalents for the purpose of Cash Flow Statement comprise cash in hand, demand deposits with banks and other short-term highly liquid investments / deposits with an original maturity of three months or less.

### 1.18 Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

### 1.19 Revenue Recognition

Items of Income and expenditure are recognized on accrual basis except stated otherwise. Sales are recorded on dispatch of goods to the customer. Sales include Excise Duty and are net of trade discounts, rebates and returns. Interest income is recognized on time proportion basis.

### 1.20 Government Grants and Subsidies

Government grants / subsidies are recognized when there is reasonable certainty that the same will be received. Revenue grants in the nature of recoupment / reimbursement of any particular item of expenses are recognized in the Statement of Profit and Loss as deduction from related item of expenditure. Capital grants / subsidies are reduced from cost of respective fixed assets where it relates to specific fixed assets. Other grants / subsidies are credited to the capital reserve.

## Notes To Financial Statements (contd.)

### 2.1 Share Capital

	(₹ in Lacs)	
	31.03.2016	31.03.2015
<b>Authorised Capital</b>		
Equity Shares of ₹ 10/- par value 3,00,00,000 (3,00,00,000 as at 31st March, 2015) Equity Shares fully paid up	3,000.00	3,000.00
<b>Issued, Subscribed &amp; fully Paid up shares</b>		
Equity Shares of ₹ 10/- par value 2,98,17,818 (2,98,17,818 as at 31st March, 2015) Equity Shares fully paid up	2,981.78	2,981.78

a) Terms/ Rights attached to Equity Shares

The Company has only one class of equity shares having a par value of ₹ 10/- per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting except in case of interim dividend.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

b) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Equity Shares	31.03.2016	31.03.2015
	No. of Shares	No. of Shares
At the beginning of the year	29,817,818	29,817,818
Issued during the year	-	-
<b>Outstanding at the end of the year</b>	<b>29,817,818</b>	<b>29,817,818</b>

c) Shares held by Holding Company

	No. of Shares	No. of Shares
Cement Manufacturing Company Limited Equity shares of ₹ 10/- each fully paid (All the shares are held by M/s Cement Manufacturing Company Limited, the Holding Company and its nominees)	26,088,656	26,088,656

d) Details of shareholders holding more than 5% of Equity Shares in the Company

Equity shares of ₹ 10/- each fully paid	No. of Shares	No. of Shares
	% of holding	% of holding
Cement Manufacturing Company Limited, Holding Company	2,60,88,656 (87.49%)	2,60,88,656 (87.49%)
Megha Technical & Engineers Private Limited, subsidiary of Holding Company	37,29,162 (12.51%)	37,29,162 (12.51%)
	<b>2,98,17,818</b> <b>(100%)</b>	<b>2,98,17,818</b> <b>(100%)</b>

As per records of the Company, including its register of shareholders/members and other declaration received from shareholders regarding beneficial interest, the above shareholding represent both legal and beneficial ownership of shares.

## Notes To Financial Statements (contd.)

### 2.2 Reserves & Surplus

	(₹ in Lacs)	
	31.03.2016	31.03.2015
<b>Capital Reserves</b>		
Balance as per last account	15,352.77	15,352.77
Addition/(Deduction) during the Year	-	-
Closing Balance	<b>15,352.77</b>	<b>15,352.77</b>
<b>Securities Premium</b>		
Balance as per last account	17,416.22	17,416.22
Addition/(Deduction) during the period	-	-
Closing Balance	<b>17,416.22</b>	<b>17,416.22</b>
<b>Surplus as per Statement of Profit &amp; Loss</b>		
Balance as per the last financial statements	3,466.12	(1,598.46)
Profit / (Loss) for the period	6,802.19	5,064.58
Net Surplus (Deficit) in the statement of Profit and Loss	<b>10,268.31</b>	<b>3,466.12</b>
	<b>43,037.30</b>	<b>36,235.11</b>

### 2.3 Long Term Borrowings

	(₹ in Lacs)	
	31.03.2016	31.03.2015
<b>Term Loans</b>		
- Rupee Loans from Banks (Secured)	14,714.06	20,394.52
- Rupee Loan from a Body Croporate (Secured)	2,895.02	3,997.77
- Foreign Currency Loans from Banks (Secured)	6,186.10	8,996.49
<b>Loans and Advances from a Related Party (Unsecured)</b>	600.00	2,940.00
<b>Other Loans &amp; Advances</b>		
- Hire Purchase Finance from Banks (Secured)	231.64	275.03
	24,626.82	36,603.81
Less: Current Maturities of Long Term Borrowing	9,524.35	9,486.72
	<b>15,102.47</b>	<b>27,117.09</b>

- 1) Rupee Term Loans of ₹ 17,609.08 Lacs are repayable in further 15 unequal quarterly instalments ending on December 2019. Foreign Currency Loan of ₹ 6186.10 Lacs are repayable in further 14 unequal quarterly instalments ending on December 2019. The loans are secured by pari passu first charge on fixed assets and pari passu second charge on current assets of the Company's cement clinker plant at Lumshnong, Meghalaya. Further, some of the loans have also been guaranteed by holding Company, M/s Cement Manufacturing Company Limited
- 2) Hire Purchase Finance is secured by hypothecation of respective vehicles / equipments and are repayable within three years having varying date of payment.
- 3) The Company does not have any continuing defaults in repayment of loans and interest as at reporting period.

### 2.4 Other Long Term Liabilities

	(₹ in Lacs)	
	31.03.2016	31.03.2015
-Security Deposit	26.47	31.25
-Retention Money	12.04	43.13
	<b>38.52</b>	<b>74.38</b>

## Notes To Financial Statements (contd.)

### 2.5 Long Term Provisions

	(₹ in Lacs)	
	31.03.2016	31.03.2015
<b>Provisions for Employee Benefits</b>		
-Gratuity	19.54	12.20
-Leave Encashment	24.77	16.64
	<b>44.30</b>	<b>28.84</b>

### 2.6 Short Term Borrowings

	(₹ in Lacs)	
	31.03.2016	31.03.2015
<b>Working Capital facilities from Banks</b>		
- Cash Credit (Secured)	5,640.34	930.84
<b>Short Term Loan</b>		
- From a Bank (Unsecured)	2,000.00	-
- From a Body Corporate (Unsecured)	2,250.00	-
	<b>9,890.34</b>	<b>930.84</b>

- a) The above amount includes :
- |                      |          |        |
|----------------------|----------|--------|
| Secured borrowings   | 5,640.34 | 930.84 |
| Unsecured borrowings | 4,250.00 | -      |
- b) Working capital facilities from banks are secured by pari passu first charge on current assets and pari passu second charge on fixed assets of the Company's cement clinker unit at Lumshnong, Meghalaya.
- c) Short Term loan from a bank is due for repayment on June'2016 and that from a body corporate is repayable in two equal installments falling due on April, 2016 & October, 2016 respectively.

### 2.7 Other Current Liabilities

	(₹ in Lacs)	
	31.03.2016	31.03.2015
<b>Current Maturities of long term borrowings</b>	9,524.35	9,486.72
<b>Interest accrued but not due on borrowings</b>	137.80	41.21
<b>Other Payables</b>		
-Statutory Liabilities (Including excise duty on finished goods ₹ 12.55 lacs, Previous year ₹ 10.81 lacs)	437.94	368.74
-Advances from customers	72.80	295.67
-Salary and Bonus to employees	45.92	44.81
-Other Liabilities	1,991.44	1,633.87
	<b>12,210.23</b>	<b>11,871.02</b>

### 2.8 Short Term Provisions

	(₹ in Lacs)	
	31.03.2016	31.03.2015
<b>Provisions for Employee Benefits</b>		
-Gratuity	12.42	7.45
-Leave Encashment	10.03	9.19
	<b>22.45</b>	<b>16.64</b>

## Notes To Financial Statements (contd.)

### 2.9 TANGIBLE ASSETS

(₹ in Lacs)

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As at 01.04.2015	Additions	Deduction/ Adjustment 31.03.2016	As at 31.03.2016	Upto 31.03.2015	For the year	Deduction / Adjustment 31.03.2016	Upto 31.03.2016	As at 31.03.2016	As at 31.03.2015
Land & Site Development	1,651.21	620.70	-	2,271.91	-	-	-	-	2,271.91	1,651.21
Factory Building	7,673.50	1,091.52	-	8,765.02	1,168.97	618.56	-	1,787.53	6,977.49	6,504.53
Non Factory Building	2,130.01	543.36	-	2,673.37	583.61	447.85	-	1,031.46	1,641.91	1,546.40
Plant & Machinery	53,414.24	913.64	108.20	54,219.68	18,040.99	7,382.18	37.35	25,385.82	28,833.86	35,373.25
Furniture & Fixtures	97.65	16.08	-	113.73	45.45	16.66	-	62.11	51.62	52.20
Office Equipments	33.25	5.26	-	38.51	22.52	6.19	-	28.71	9.79	10.73
Computers	79.33	28.22	0.37	107.18	67.18	14.68	0.31	81.55	25.63	12.15
Heavy Vehicles & Equipments	1,855.38	374.65	-	2,230.03	1,223.84	284.98	-	1,508.81	721.22	631.54
Vehicles	118.64	46.41	1.40	163.66	64.93	26.50	0.86	90.57	73.08	53.71
Tools & Tackles	511.64	13.22	-	524.86	374.84	39.55	-	414.40	110.46	136.79
<b>Total ( A )</b>	<b>67,564.85</b>	<b>3,653.07</b>	<b>109.98</b>	<b>71,107.94</b>	<b>21,592.32</b>	<b>8,837.15</b>	<b>38.51</b>	<b>30,390.96</b>	<b>40,716.98</b>	<b>45,972.51</b>
Previous Year	65,874.18	1,699.30	8.62	67,564.85	10,577.19	11,021.63	6.50	21,592.32	45,972.51	55,296.99

### 2.10 INTANGIBLE ASSETS

(₹ in Lacs)

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As at 01.04.2015	Additions	Deduction/ Adjustment 31.03.2016	As at 31.03.2016	Upto 31.03.2015	For the year	Deduction / Adjustment 31.03.2016	Upto 31.03.2016	As at 31.03.2016	As at 31.03.2015
Computer Software	16.75	4.32	-	21.07	14.96	2.62	-	17.59	3.48	1.79
<b>Total ( B )</b>	<b>16.75</b>	<b>4.32</b>	<b>-</b>	<b>21.07</b>	<b>14.96</b>	<b>2.62</b>	<b>-</b>	<b>17.59</b>	<b>3.48</b>	<b>1.79</b>
Previous Year	15.89	0.86	-	16.75	11.07	3.90	-	14.96	1.79	4.82
<b>Total ( A + B )</b>	<b>67,581.60</b>	<b>3,657.39</b>	<b>109.98</b>	<b>71,129.01</b>	<b>21,607.29</b>	<b>8,839.77</b>	<b>38.51</b>	<b>30,408.55</b>	<b>40,720.47</b>	<b>45,974.30</b>
Previous Year	65,890.07	1,700.16	8.62	67,581.60	10,588.25	11,025.53	6.50	21,607.28	45,974.30	55,301.81

**Note:** During the year Company has discard fixed assets amounting to ₹ 108.20 Lacs (Previous year Nil) and sold fixed assets amounting to ₹ 1.77 Lacs ( previous year ₹ 8.62 Lacs).

## Notes To Financial Statements (contd.)

### 2.11 Long Term Loans and Advances

	(₹ in Lacs)	
	31.03.2016	31.03.2015
<b>Capital Advances</b>		
-Unsecured considered Good	1,626.85	1,329.91
<b>Security Deposits (Unsecured-Considered Good)</b>	26.91	24.44
<b>Other Loans and advances (Unsecured-Considered Good)</b>		
-Subsidies/Incentives Receivable from Central/State Governments	15,363.29	15,363.29
- Advance Income Tax (net of provision for Taxation) including MAT Credit Entitelment	2,410.90	796.77
- Loan & Advance to Related Party	800.00	-
	<b>20,227.95</b>	<b>17,514.41</b>

### 2.12 Other Non-Current Assets

	(₹ in Lacs)	
	31.03.2016	31.03.2015
<b>Other Bank Balances</b>		
Balances with Banks held as		
- Margin Money deposits with original maturity of more than 12 months	4.84	2.75
	<b>4.84</b>	<b>2.75</b>

### 2.13 Inventories

	(₹ in Lacs)	
	31.03.2016	31.03.2015
Raw Materials	990.33	1,137.71
Work - in - Process	199.30	182.08
Finished Goods (including in transit ₹ 8.97 Lacs, PY ₹ 177.30 Lacs)	122.07	274.62
Fuels & Lubricants	4,914.23	690.18
Store & Spare Parts	1,749.23	1,653.50
	<b>7,975.16</b>	<b>3,938.09</b>

### 2.14 Trade Receivables

	(₹ in Lacs)	
	31.03.2016	31.03.2015
<b>Unsecured</b>		
<b>Over Six Months</b>		
I. Considered Doubtful	-	6.53
Less: Provision for Doubtful Debts	-	(6.53)
	-	-
II Claims due from Central Government - Considered Good	5,297.29	1,671.25
	<b>5,297.29</b>	<b>1,671.25</b>
<b>Other Debts</b>		
I Considered Good	4,871.19	6,213.00
II Claims due from Central Government - Considered Good	2,393.99	2,103.58
	<b>7,265.17</b>	<b>8,316.58</b>
	<b>12,562.46</b>	<b>9,987.83</b>

**Note:**

Periodically, the Company evaluates realisability of all customer dues. The need for provisions is assessed based on various factors including collectability of specific dues, risk perceptions of the industry in which the customer operates, general economic factors, which could effect the customers ability to settle. The Company normally provides for debtor dues outstanding for six months or longer from the invoice date, at the Balance Sheet date. The Company pursues the recovery of the dues, in part or full.

## Notes To Financial Statements (contd.)

### 2.15 Cash & Cash Equivalents

	(₹ in Lacs)	
	31.03.2016	31.03.2015
<b>Cash on Hand</b>	7.08	11.11
<b>Cheques in Hand</b>	680.33	-
<b>Balances with Banks</b>		
- On Current Accounts (₹ 30.19 Lacs kept with SBI-Bangladesh, repatriation of which is restricted, previous year ₹ 28.97 Lacs)	247.18	107.57
	<b>934.59</b>	<b>118.68</b>

### 2.16 Short Term Loans and Advances

	(₹ in Lacs)	
	31.03.2016	31.03.2015
<b>Others</b>		
<b>Unsecured, Considered Doubtful</b>		
- Advances to Suppliers	4.35	-
Less : Provision for doubtful advance	(4.35)	-
<b>Unsecured, Considered Good</b>		
-Advances to Suppliers for goods and services	431.67	517.94
- Loans & Advances to Employees	5.96	8.55
- Balances with statutory/Government Authorities	522.41	426.54
- Subsidies/Incentives Receivable from Central/State Governments	1,141.16	725.82
- Prepaid Expenses	82.75	100.15
	<b>2,183.96</b>	<b>1,779.00</b>

### 2.17 Revenue from Operations

	(₹ in Lacs)	
	2015-16	2014-15
<b>Sale of Products</b>		
<b>Finished Goods Sold</b>		
<b>Cement Clinker</b>		
Domestic	49,619.74	45,363.73
Export	3,198.81	3,620.85
	52,818.55	48,984.58
<b>Other Operating Income</b>	36.34	83.14
<b>Revenue from Operations (Gross)</b>	<b>52,854.90</b>	<b>49,067.72</b>

### 2.18 Other Income

	(₹ in Lacs)	
	2015-16	2014-15
<b>Interest Income on</b>		
-Bank deposits	0.32	0.83
-Others	8.70	1.54
	<b>9.03</b>	<b>2.37</b>

## Notes To Financial Statements (contd.)

### 2.19 Cost of Materials Consumed

	(₹ in Lacs)	
	2015-16	2014-15
Inventory at the beginning of the year	799.89	544.30
Add : Purchases	6,445.88	6,437.91
	7,245.76	6,982.22
Less : Inventory at the end of the year	990.33	799.89
<b>Cost of Materials Consumed</b>	<b>6,255.44</b>	<b>6,182.33</b>
<b>Details of Raw Material consumed</b>		
Clay	152.82	112.82
Lime Stone	5,098.81	4,985.19
Shale	320.82	222.96
Iron Mill Scale	168.95	388.79
Iron Ore	22.08	283.40
Latrite	491.95	189.18
	<b>6,255.44</b>	<b>6,182.33</b>

### 2.20 Increase / (Decrease) in Inventories

	(₹ in Lacs)	
	2015-16	2014-15
<b>Work in Process</b>		
Opening Stock	182.08	266.37
Closing Stock	199.30	182.08
	<b>(17.22)</b>	<b>84.29</b>
<b>Finished Goods</b>		
Opening Stock	274.62	465.54
Closing Stock	122.07	274.62
	152.55	190.92
<b>(Increase) / Decrease</b>	<b>135.32</b>	<b>275.21</b>
Finished Goods		
Cement Clinker	122.07	274.62
	<b>122.07</b>	<b>274.62</b>

### 2.21 Employee Benefit Expenses

	(₹ in Lacs)	
	2015-16	2014-15
Salaries and Wages	1,962.24	1,825.91
Contribution to Provident Fund and other funds	40.56	40.54
Welfare Expenses	89.47	62.78
	<b>2,092.26</b>	<b>1,929.23</b>

### 2.22 Finance Costs

	(₹ in Lacs)	
	2015-16	2014-15
<b>Interest Expense</b>		
-On Fixed Loan	2,947.87	3,757.97
-On Others	705.51	485.99
Other Borrowing Costs	63.12	75.04
	<b>3,716.50</b>	<b>4,319.00</b>

## Notes To Financial Statements (contd.)

### 2.23 Other Expenses

	(₹ in Lacs)	
	2015-16	2014-15
Consumption of Stores & Spares	266.06	293.62
Power & Fuel	16,375.54	14012.79
Repairs & Maintenance		
- Buildings	201.57	194.66
- Plant & Machinery	1,057.26	694.99
- Others	78.06	46.53
Heavy Vehicle / Equipment Running Expenses	525.74	898.53
Excise duty variation on opening/closing stock	2.27	(30.03)
Travelling and Conveyance	123.62	95.59
Insurance	58.16	92.53
Rent, Rates & Taxes	372.51	166.91
Research & Development Expenses	23.60	12.05
Charity & Donation	91.32	17.46
CSR Expenses	66.51	0.00
Miscellaneous Expenses	427.07	344.30
Advertisement & Publicity	13.53	0.40
Carriage Outward	2,176.27	2172.62
Sales Promotion Expenses	42.74	30.82
Commission/ Incentives	1,192.32	41.05
Claims	590.27	-
	<b>23,684.42</b>	<b>19,084.83</b>

**2.24** In the opinion of the Management and to the best of their knowledge and belief the value on realization of loans, advances and other current assets in the ordinary course of business will not be less than the amount at which they are stated in the Balance Sheet.

**2.25** Based on the information/documents available with the Company, information as per the requirement of Section 22 of The Micro, Small and Medium Enterprises Development Act, 2006 are as under:

	(₹ in Lacs)	
Particulars	2015-16	2014-15
(i) Principal amount remaining unpaid to any supplier at the end of the accounting year (including retention money against performance)	-	-
(ii) Interest due on above	-	-
<b>Total of (i) &amp; (ii)</b>	-	-
(iii) Amount of interest paid by the Company to the suppliers in terms of Section 16 of the Act.	0.02	-
(iv) Amount paid to the suppliers beyond the respective appointed date.	1.77	-
(v) Amount of interest due and payable for the period of delay in payments (which have been paid but beyond the due date during the year) but without adding the interest specified under the Act.	-	-
(vi) Amount of interest accrued and remaining unpaid at the end of accounting year.	-	-
(vii) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under Section 23 of this Act.	-	-

**2.26** The Company has only one business segment 'Cement Clinker' as its primary segment. The secondary segment is geographical. The Company is exporting its product to Bangladesh, Bhutan and Nepal. However, segment revenue from exports and segment assets by geographical locations is less than 10% of total revenue and total assets of the Company respectively. Hence, there is no separate reportable segment as required by Accounting Standard 17- 'Segment Reporting'.

## Notes To Financial Statements (contd.)

**2.27** The Company has exercised the option in accordance to paragraph 46A of the Accounting Standard 11 (AS-11) - "The Effects of Changes in Foreign Exchange Rates". Accordingly, the Company has depreciated the foreign exchange (gain)/loss arising on revaluation on long term foreign Currency monetary items in so far as they relate to the acquisition of depreciable capital assets over the balance useful life of such assets. The depreciated portion of net foreign exchange (gain)/loss on such long term foreign currency monetary items for the year ended 31st March, 2016 is ₹ 432.01 Lacs (PY ₹ 471.49 Lacs). The unamortized portion carried forward as at 31st March, 2016 is ₹ 1901.95 Lacs, (as at 31.03.15 ₹ 1,804.18 Lacs).

### 2.28 Related Party Disclosures

Names of the related parties where control exists	Nature of relationship
<b>A.</b> Star Ferro and Cement Limited (SFCL)	Ultimate Holding Company
Cement Manufacturing Company Limited (CMCL)	Holding Company
Megha Technical & Engineers Private Limited (MTEPL)	Fellow Subsidiary
Meghalaya Power Limited (MPL)	Fellow Subsidiary
NE Hills Hydro Limited (NEHL)	Fellow Subsidiary
<b>B. Others - with whom transactions have taken place during the year</b>	
<b>1. Key Management Personnel</b>	<b>Nature of relationship</b>
Mr. Prem Kumar Bhajanka	Managing Director
Mr. Swarup Chand Kayal	CFO (Continued from 01.08.2015)
Ms. Nupur Burman	Company Secretary (Continued up to 31.01.2016)
Mr. Kamal Kishor Sewoda	Company Secretary (Continued from 8th February, 2016 to 18th March,2016)

Details of transactions between the Company and related parties and the status of outstanding balance as at 31st March, 2016

(₹ in Lacs)

Sl. No.	Type of Transactions	Holding Company		Fellow Subsidiaries		Key Management Personnel		Enterprises Owned/ Influenced by KMP	
		2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
<b>1</b>	<b>Purchase Transactions</b>								
	CMCL	8.21	11.45	-	-	-	-	-	-
	CPIL	-	-	-	-	-	-	-	3.73
	MTEPL	-	-	129.49	142.29	-	-	-	-
	MPL	-	-	6,256.94	5,801.27	-	-	-	-
<b>2</b>	<b>Sales Transactions</b>								
	CMCL	3,2701.66	3,2609.26	-	-	-	-	-	-
	MTEPL	-	-	5,298.76	5,907.97	-	-	-	-
<b>3</b>	<b>Services Rendered</b>								
	CMCL	13.77	8.04	-	-	-	-	-	-
	MPL	-	-	12.50	15.03	-	-	-	-
	MTEPL	-	-	-	5.51	-	-	-	-
<b>4</b>	<b>Loan &amp; Advances Given</b>								
	MPL	-	-	800.00	-	-	-	-	-
<b>5</b>	<b>Loan &amp; Advances Taken</b>								
	MTEPL	-	-	600.00	-	-	-	-	-
<b>6</b>	<b>Loan &amp; Advances Repaid</b>								
	MTEPL	-	-	2,940.00	110.00	-	-	-	-
<b>7</b>	<b>Remuneration Paid</b>								
	Mr. Prem Kumar Bhajanka	-	-	-	-	60.00	48.00	-	-
	Ms. Nupur Burman	-	-	-	-	3.63	3.81	-	-

## Notes To Financial Statements (contd.)

(₹ in Lacs)

Sl. No.	Type of Transactions	Holding Company		Fellow Subsidiaries		Key Management Personnel		Enterprises Owned/ Influenced by KMP	
		2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
	Mr. Pramod Kumar Mundhra	-	-	-	-	-	4.93	-	-
	Mr. Kamal Kishor Sewoda					0.46	-	-	-
	Mr. Swarup Chand Kayal					9.61	-	-	-
<b>8</b>	<b>Interest Paid</b>								
	MTEPL	-	-	312.60	329.24	-	-	-	-
<b>9</b>	<b>Interest Received</b>								
	MPL	-	-	8.69	-	-	-	-	-
<b>10</b>	<b>Balance outstanding as on 31.03.2016</b>								
<b>A.</b>	<b>Advances/Loan Received</b>								
	MTEPL	-	-	600.00	2,940.00	-	-	-	-
<b>B.</b>	<b>Advance from Customers</b>								
	MTEPL	-	-	53.70	164.70	-	-	-	-
<b>C.</b>	<b>Advances/Loan Given</b>								
	MPL			800.00	-			-	-
<b>D.</b>	<b>Creditors</b>								
	MPL	-	-	-	122.75	-	-	-	-
<b>E.</b>	<b>Debtors</b>								
	CMCL	1,537.99	4,008.48	-	-	-	-	-	-
<b>F.</b>	<b>Guarantees obtained</b>								
	CMCL	8,654.77	29,565.81	-	-	-	-	-	-
<b>G.</b>	<b>Share Capital (Including Securities Premium)</b>								
	CMCL	17,414.67	17,414.67	-	-	-	-	-	-
	MTEPL	-	-	2,983.33	2,983.33	-	-	-	-

### 2.29 Contingent liabilities and commitments (to the extent not provided for)

(₹ in Lacs)

Particulars	31-03-2016	31-03-2015
Export obligation under EPCG scheme	983.42	983.42
Bank Guarantees issued by Banks	304.80	184.80
Letters of Credit issued by Banks	-	129.79
Claims against the Company not acknowledged as debts – Excise	165.49	-

### 2.30 Payments to Auditors

(₹ in Lacs)

Particulars	2015-16	2014-15
<b>(a) Statutory Auditors</b>		
<b>As Auditor</b>		
-Audit Fees	6.00	6.00
-Tax Audit Fees	1.50	1.50
<b>In Other Capacity</b>		
Certification and Other services	4.50	5.58
<b>Total</b>	<b>12.00</b>	<b>13.08</b>

## Notes To Financial Statements (contd.)

### 2.31 Employee Defined Benefits

- (a) Defined Contribution Plans: The Company has recognized an expense of ₹ 40.56 Lacs (Previous year ₹ 40.54 Lacs) towards the defined contribution plans.
- (b) The Company has a defined benefit gratuity plan. Every employee who has completed five years or more service is entitled to Gratuity on terms not less than the provisions of the Payment of Gratuity Act, 1972. The scheme is funded with an insurance Company. The following tables summaries the components of net benefit expenses recognized in the Statement of Profit & Loss and the funded status and amounts recognized in the balance Sheet for the Gratuity.

(₹ in Lacs)

Sl. No.	Type of Transactions	2015-16		2014-15	
		Gratuity	Leave Encashment	Gratuity	Leave Encashment
I	Expense recognized in the Statement of Profit and Loss for the year ended 31st March, 2016				
	1. Current Service Cost	12.42	7.78	9.92	4.53
	2. Interest Cost	5.31	2.43	4.13	1.84
	3. Employee Contribution	-	-	-	-
	4. Expected Return on Plan Assets	(3.23)	-	(2.61)	-
	5. Actuarial (Gains) / Losses	5.09	8.40	(3.30)	4.96
	6. Past Service Cost	-	-	-	-
	7. Settlement Cost	-	-	-	-
	8. Losses/(Gains) on Acquisition/Divesture	-	-	-	-
	9. Total expenses	19.59	18.61	8.13	11.33
II	Net Asset/(Liability) recognized in the Balance Sheet as at 31st March, 2016				
	1. Present Value of Defined Benefit Obligation	75.68	34.80	56.67	25.83
	2. Fair Value of Plan Assets	43.72	-	37.01	-
	3. Funded Status [Surplus/(Deficit)]	(31.96)	(34.80)	(19.65)	(25.83)
	4. Net Asset/(Liability) as at 31st March, 2016	(31.96)	(34.80)	(19.65)	(25.83)
III	Change in Obligation during the Year ended 31st March, 2016				
	1. Present value of Defined Benefit Obligation at the beginning of the year	56.67	25.83	46.56	20.09
	2. Current Service Cost	12.42	7.78	9.92	4.53
	3. Interest Cost	5.31	2.43	4.13	1.84
	4. Settlement Cost	-	-	-	-
	5. Past Service Cost	-	-	-	-
	6. Employee Contribution	-	-	-	-
	7. Liabilities assumed on acquisition/(settled On divesture)	-	-	-	-
	8. Actuarial (Gains )/Losses	4.71	8.40	(3.30)	4.96
	9. Benefits Payments	(3.44)	(9.65)	(0.64)	(5.59)
	10. Present Value of Defined Benefit Obligation at the end of the year	75.68	34.80	56.67	25.83
IV	Change in assets during the Year ended 31st March, 2016				
	1. Plan Assets at the beginning of the year	37.01	-	28.38	-
	2. Assets acquired on amalgamation in previous year	-	-	-	-
	3. Settlements	-	-	-	-
	4. Expected return on plan assets	3.23	-	2.61	-
	5. Contributions by employer	7.29	9.65	6.66	5.59
	6. Actual Benefit Paid	(3.44)	(9.65)	(0.64)	(5.59)
	7. Actuarial Gains/(Losses)	(0.38)	-	0.01	-
	8. Plan Assets at the end of the year	43.72	-	37.01	-

## Notes To Financial Statements (contd.)

(₹ in Lacs)

Sl. No.	Type of Transactions	2015-16		2014-15	
		Gratuity	Leave Encashment	Gratuity	Leave Encashment
9.	Actual Return on plan assets	2.85	-	2.62	-
V	The major categories of plan assets as a percentage of the fair value of total plan assets				
1.	Funded with insurer	100%	-	100%	-
2.	The overall expected rate of return on assets is determined based on market process prevailing on that date, applicable to the period over which the obligations is to be settled	9.00%	-	8.00%	-

### 2.32 Capital Work-in-progress Includes:

(₹ in Lacs)

	As at	As at
	31.03.2016	31.03.2015
a) Expenditure during construction for project as under:		
Opening Balance	1254.65	1419.71
Addition during the year	601.46	834.27
Less: Capitalized during the year	1675.58	999.32
Balance included in capital work in progress	180.53	1254.65

### 2.33 Corporate Social Responsibility

As per Section 135 of the Companies Act, 2013, a Company, meeting the applicability threshold, needs to spend at least 2% of its average net profit for the immediately preceding three Financial Years on corporate social responsibility (CSR) activities. The areas for CSR activities are eradication of hunger and malnutrition, promoting, education, art and culture, healthcare, destitute care and rehabilitation, environment sustainability, disaster relief and rural developments projects. A CSR Committee has been formed by Company as per the Act. The funds were primarily allocated to a corpus and utilized through the year on these activities which are specified in Schedule VII of the Companies Act, 2013.

- Gross Amount required to be spent by the Company during the year is ₹ 23.11 Lacs (P.Y. ₹ Nil)
- Amount spent during the year on:

(₹ in Lacs)

Sl. No.	Nature of Expenditure	2015-16	2014-15
		(i)	Education
(ii)	Health Care, poverty and Malnutrition	7.00	-
(iii)	Protection of Flora & fauna	15.11	-
	<b>Total</b>	<b>66.51</b>	<b>-</b>

### 2.34 Earning Per Share (EPS)

(₹ in Lacs)

Particulars	31.03.2016	31.03.2015
	Profit/(Loss) Attributable to Equity Shareholders	6802.19
Equity Share Capital	2981.78	2,981.78
Weighted average number of equity shares outstanding for basic EPS (Face value of ₹ 10/- per share)	2,98,17,818	2,98,17,818
Weighted average number of equity shares outstanding for diluted EPS (Face value of ₹ 10/- per share)	2,98,17,818	2,98,17,818
Basic Earnings Per Share (₹)	22.81	16.99
Diluted Earnings Per Share (₹)	22.81	16.99

## Notes To Financial Statements (contd.)

**2.35 a)** Value of imported and indigenous Stores and spare parts consumed and their percentage to total consumption

(₹ in Lacs)

Particulars	2015-16		2014-15	
	Value (₹ in Lacs)	%	Value (₹ in Lacs)	%
Stores and Spare parts				
(i) Imported	46.31	17.40	18.12	6.17
(ii) Indigenous	219.75	82.60	275.51	93.83
<b>Total</b>	<b>266.06</b>	<b>100.00</b>	<b>293.62</b>	<b>100.00</b>

b) Value of imports calculated on CIF basis

(₹ in Lacs)

Particulars	2015-16	2014-15
Components and spares parts	42.42	51.38
<b>Total</b>	<b>42.42</b>	<b>51.38</b>

c) Expenditure incurred in foreign currency:

(₹ in Lacs)

Particulars	2015-16	2014-15
Travelling Expenses	0.02	5.03
Interest & Finance Charges	329.80	397.82
Others	0.45	2.55

d) Unhedged Foreign Currency Exposure:

(₹ in Lacs)

Nature of Item	As at 31.03.2016			As at 31.03.2015		
	Currency	Foreign Currency (Mn)	Indian Rupees (Lacs)	Currency	Foreign Currency (Mn)	Indian Rupees (Lacs)
ECB	USD	93.26	6186.10	USD	143.74	8996.49

**2.36** The Company has charged depreciation based on the remaining useful life of the assets as per the Provisions and requirements of Schedule II to the Companies Act, 2013 effective from April 1, 2014. Ministry of Corporate Affairs (MCA) vide notification dated 29th August, 2014 has amended Schedule II to the Companies Act, 2013 requiring mandatory componentization of fixed assets for financial statements in respect of Financial Years commencing on or after 1st April, 2015. During the year, the Company has undertaken the componentization of fixed assets w.e.f. 1st April, 2015 on the basis of technical evaluation and useful life thereof. Consequent to the same, the Depreciation expenses is higher by ₹ 17.60 lacs and profit before tax is lower by ₹ 17.60 for the year ended 31st March, 2016.

**2.37** Deferred Tax Assets is not recognized in respect of timing difference of depreciation and expenditures allowable on payment basis for tax purpose, considering the principle of prudence. However, the position will be reviewed every year.

**2.38** Figures have been rounded off to the nearest Rupee in Lacs.

**2.39** Previous year figures have been regrouped/rearranged/reclassified to confirm to this year's classification.

As per our report of even date

For and on Behalf of the Board of Directors

For **Kailash B. Goel & Co.**  
Firm Registration No. 322460E  
Chartered Accountants

**CA. Arun Kumar Sharma**  
Partner  
Membership No : 057329

**Swarup Chand Kayal**  
Chief Financial Officer

**Sajjan Bhajanka**  
Director  
DIN : 00246043

Place: Kolkata  
Date : 2nd May, 2016

**Koushik Ranjan Saha**  
Company Secretary

**Prem Kumar Bhajanka**  
Managing Director  
DIN : 00591512









## **STAR CEMENT MEGHALAYA LIMITED**

Registered Office:-  
Vill: Lumshnong, P.O.: Khaliehriat,  
Dist: East Jaintia Hills, Meghalaya - 793210  
CIN: U63090ML2005PLC008011